



**Kurt
Ramin**

XBRL and IFRS Joining Hands

How this powerful combination will accelerate adoption of financial reporting around the globe.

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by Kurt Ramin, CPA

The movement towards a single set of global financial reporting standards is gaining speed in the United States. The Security and Exchange Commission's (SECs) concept release on the use of International Financial Reporting Standards (IFRS) by U.S. companies has put real meaning into this trend. XBRL is already well established in our country. The SEC showed leadership here, so the combination IFRS/XBRL will soon take hold here as well.

Here's a tool showing the power of [XBRL](#) that the SEC released in February. You can also review an explanatory press release on the subject [here](#).

Over 100 countries either require or allow the use of IFRS by listed companies, and some of those countries permit the use of IFRS for local regulatory or statutory reporting by non-listed companies. The European Union (EU), Australia and South Africa have adopted requirements to use IFRS, while others, such as Canada, India and Brazil, plan to require the use of IFRS by a specific date. View further [details](#) on global adoption and the International Accounting Standards Board (IASB).

IFRS Taxonomy and XBRL

Through its Foundation, the IASB was involved early on in building a taxonomy to drive global adoption of both IFRS and XBRL. This powerful combination caters to people who understand accounting standards and concepts on one side and people who use technology tools to segment and organize financial and business information.

It is no accident that the Foundation's XBRL team, in addition to its education and translation departments, is now one of the strongest support functions for the standard-setting process at the IASB. Its XBRL Advisory Council (XAC) and Quality Review Team (XQRT) span members from around the globe, who are moving the implementation of XBRL and IFRS through the use of XBRL forward.

Watch out for the latest version of a totally new and updated [IFRS XBRL](#) taxonomy that contains links to the latest version of the complete text and volume of IFRS during the next month. IFRS and XBRL will also be one of the prime topics at the next World XBRL conference in Eindhoven, Holland, from May 5 to May 9.

The codification of accounting standards by the [Financial Accounting Standards Board](#) (FASB) is another strong building block in the conversion of financial reporting standards worldwide. Once the codified standards are linked to the XBRL U.S. taxonomy (as the IFRS are to the XBRL/IFRS taxonomy) this accounting base — with rich definitions — will be a step forward to the worldwide adoption of a single global standard. Interestingly enough, the same software tools have been used to codify the U.S. literature and putting IFRS into electronic formats.

Translation capabilities (IFRS are now translated into over 50 languages) of the mostly principles based IFRS and the automatic translation features of XBRL help to localize financial reporting and push their use down to the lowest level of implementation. After all, through the use of IFRS/XBRL, Americans will become linguistic experts!

SME standard

The IASB has issued an exposure draft for small and medium-sized entities (SMEs), which will hopefully lead to a final standard this year. If implemented, this standard will allow millions of entities around the world to deliver comparable financial information. It is expected that the SME standard can still be reduced in its complexity including some simple recognition and de-recognition principles. XBRL can be used to track units of accounts and prepare parallel accounting (if needed).

Conclusion

Are you prepared for XBRL? Familiarize yourself with the new concepts and technologies. Financial reporting will be like reading a map. Places can be found by knowing the geographic coordinates, but you will have to decide which map format to look at and what zoom level fits your needs.

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Kurt Ramin, CPA, is Chairman (Emeritus) XBRL International, Consultant IASCF, London. He is also a member of the Financial Executives International (FEI) Globalization Oversight Committee (GOC).

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